



The Voice of Small Business

MICHIGAN

To: Honorable Members of the Michigan House of Representatives Appropriations Committee

From: Amanda Fisher, Assistant State Director

Date: December 2, 2015

RE: HB 5105 - Health Insurance Claims Tax

We are writing to ask for your opposition to HB 5105 that would extend the current sunset of the Health Insurance Claims (HICA) Tax and lift the current cap of .75%

The HICA Tax was created in 2011 when the Federal Government tried to dictate to states how they could obtain their Medicaid match money by indicating they would not allow the current HMO Use Tax to stay in existence. While Michigan changed its tax and began taxing individual health claims, other states like California and Pennsylvania have continued to use a similar form of the use tax with no interference from HHS.

Due to those circumstances, the HMO Use Tax was reinstated in Michigan and currently, the State, is collecting both the HICA tax as well as the Use Tax. If the HMO Use Tax stays in existence, the HICA tax is not needed and should be phased out. In addition, the removal of the cap is especially egregious as it does not put any controls on this tax that is paid primarily by job providers.

In principal, the claims tax itself is completely contrary to all of the work that has been done over the past two years to make Michigan a friendly state to do business. Job providers are already struggling to continue to provide health insurance coverage to workers in the face of an apparently endless line of government taxes and regulations. Healthcare costs have risen exponentially in recent years due to medical inflation and fees and taxes imposed by the federal "Affordable Care Act" (ACA) including the Patient-Centered Outcomes Research Institute (PCORI) fee and the Transitional Reassessment Program tax. . All of this equals large costs for those trying to provide good paying jobs with benefits in Michigan.

There have been indications from HHS that they will again try and disallow the HMO Use Tax. However, the deadline that has been set is at the end of 2016. As the HICA is not set to sunset until the end of 2017, NFIB believes this extension of the HICA is premature and unnecessary and the removal of the cap is unacceptable.

On behalf of our over 10,000 members in Michigan, NFIB is asking you to vote no HB 5105.

Thank you for your support of small business.